

Innovative Solutions in Education Funding

Improving quality and offerings of higher education institutions requires money. For the bulk of the country's higher education institutions, augmenting revenues will mean, at least in the short run, increasing tuition fees. While established universities, colleges and institutions can access alumni contributions and industry partnerships, and use their considerable corpus, these options are not open to newer institutions. Higher education institutions, therefore, need to explore innovative financing schemes that will augment revenues without curtailing access.

Increasing budgetary support is an option, but even the most ambitious government budget cannot match rising demand.



Besides, public money is better utilised in pre-schools/schools, and research and development. Budgetary constraints limit the quantum of scholarships, which are therefore reserved for the poorest. Education loans, though available, are expensive; the government's interest subvention schemes and waiving of collateral requirements

are restricted to technical education. Income-sharing agreements (ISAs) are an option — ensuring revenues without limiting access. Under ISAs, students agree to pay a fixed percentage of their income for a fixed period, in return for the educational institution funding their education. Purdue University, in the US, offers ISAs, funded with its own corpus. Others rope in co-investing financial firms.

This system's collateral benefit is that institutions have a stake in ensuring the employability of their students and their ability to garner high salaries. Such innovative financing options will need oversight and regulation, besides enabling laws. Indian institutions must explore such options to become the engines that power the nation's transformation.